

MINUTES  
BOARD OF DIRECTORS  
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER  
DISTRICT

February 26, 2015

In accordance with a written order and call signed by the President of the Salt River Project Agricultural Improvement and Power District (SRP) and filed with the Corporate Secretary, a meeting of the Board of Directors of SRP convened at 9:30 a.m. on Thursday, February 26, 2015, in the Pavillion at the SRP PERA Club, 1 East Continental Drive, Tempe, Arizona.

President Rousseau called the meeting to order, and the order for the meeting was entered in the minutes as follows:

Tempe, Arizona  
February 23, 2015

NOTICE OF SPECIAL MEETING

I, David Rousseau, the duly elected and qualified President of the Salt River Project Agricultural Improvement and Power District (SRP), do hereby order a special meeting of the Board of Directors to be held at 9:30 a.m. on Thursday, February 26, 2015, in the Pavilion at the SRP PERA Club, 1 East Continental Drive, Tempe, Arizona. The purpose of the meeting is to discuss and consider taking action on management's request for approval of proposed changes and adjustments to SRP's Standard Electric Price Plans and terms and conditions of competition to be effective with the April 2015 billing cycle.

WITNESS my hand this 23rd day of February 2015.

/s/ David Rousseau  
President

Members present at roll call were President Rousseau and Directors W. Arnett, Ash, Freeman, Hendrickson, M. Herrera, Johnson, Marshall, Pace, Pendergast, P. Rovey, White Jr., L. Williams, S. Williams, and Woods.

Also present were Vice President Hoopes; Governor L. Rovey of the Salt River Valley Water Users' Association; Council Chairman Dobson; Council Vice Chairman Farmer; Council Members Augustine, Hart, Kolb, and Lewis; Mmes. K. Collins, L. Day, France, Greene, Glover, Heth, Hobaica, Likens, Lonon, Marzofka, McHenry, Pond, S. Reed, Reilly, Singleton, Trimble, and Zittle;

Messrs. Bonsall, Breiland, Coggins, Copeland, Dreiling, Duckworth, D. Duncan, Harelson, P. Hayes, Hulet, W.G. Hull, Hummel, Kenger, Koch, K. Lee, M. Lowe, McSheffrey, M.J. O'Connor, A. Peterson, L. Poteet, R. Rodgers, M. Stephens, J.F. Sullivan, R.R. Taylor, J.C. Tucker, and Weidner; Kenneth Sundlof of Jennings, Strouss & Salmon; Dr. John Chamberlin of Sussex Economic Advisors; Dr. Ahmad Faruqui of The Grattle Group; Ashley Brown of the Harvard Electricity Policy Group; Ryan Randazzo of *The Arizona Republic*; and approximately 200 SRP electric customers and other interested parties.

A list of the names and addresses of customers and other interested parties attending this meeting is on file in the Corporate Secretary's Office and, by reference, is made a part of these minutes.

Also in attendance was Jennifer Smith, a court reporter who provided an official transcript of the meeting. A copy of the official transcript is on file in the Corporate Secretary's Office and, by reference, is made a part of these minutes.

In compliance with A.R.S. §38-431, Dan Balogh of the Corporate Secretary's Office had posted a notice of the meeting at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:00 a.m. on Tuesday, February 24, 2015, and an agenda was available in the Corporate Secretary's Office.

In compliance with A.R.S. §38-431, Dan Balogh of the Corporate Secretary's Office had posted a notice of the meeting at the SRP Administration Building, 1521 North Project Drive, Tempe, Arizona, at 9:00 a.m. on Tuesday, February 24, 2015, and a notice and agenda was available in the Corporate Secretary's Office. In addition, a notice of the meeting had been published in two newspapers of general circulation within SRP's electric service area and had been mailed to SRP customers and others, as required by statute. Copies of the notices are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

### Opening Statement

President Rousseau welcomed management, the consultants, and the public. He stated that this was the third of three special meetings held to consider changes and adjustments to SRP's price plans, including riders, as well any requested changes to the terms and conditions of competition. He said the purpose of this meeting was to hear final presentations by management and the consultants, and to give members of the public and interested parties an additional opportunity for comments. At the conclusion of the comments and any responses from management and the consultants, the Board would be asked to consider taking action on one or more resolutions to adopt changes to SRP's price plans and the terms and conditions of competition, effective with the April 2015 billing cycle.

President Rousseau outlined the procedures to be followed in conducting the meeting and reported that pertinent information relative to this proceeding was available to the public in the Information Center located in the Corporate Secretary's Office. He said the Information Center had been available since December 12, 2014, and would remain open from 8:30 a.m. to 5:00 p.m., Monday through Friday, through April 30, 2015.

President Rousseau ordered that copies of all pertinent documents in the Information Center become a part of the official record of this meeting, including management's original and revised proposals for the 2015 Price Process; the consultants' reports; comments from customers and management's responses; PowerPoint presentations and handouts; the transcripts of the public comment sessions on January 8 and 15, 2015; transcripts of the special Board meetings on February 9, 2015 (which concluded on February 12, 2015), and February 19, 2015; and any materials submitted at this meeting.

President Rousseau concluded by asking Mark Bonsall, SRP General Manager and Chief Executive Officer, to proceed.

#### Management's Revised Proposals

Using a PowerPoint presentation, Mr. Bonsall provided an overview of management's initial price proposal, as contained in a document entitled "Proposed Adjustments to SRP's Standard Electric Price Plans effective with the April 2015 Billing Cycle" (including appendices) dated December 12, 2014. Among other things, management recommended changes to the District's standard electric rate schedules and riders, and modifications to certain of its terms and conditions for competition in the retail sale of electric service. The recommendation included an overall average 3.9 percent price increase (or \$109.7 million in revenues) which, if approved, would increase the bill for a typical residential customer on the Basic Plan by about \$5.00 per month and increase the bill for a customer on the Time-Of-Use Plan by about \$8.00 per month. Key components of the base proposal included:

- 4.4% base price increase
- 0.5% Environmental Programs Cost Adjustment Factor (EPCAF) decrease
- No material change to the Fuel and Purchased Power Adjustment Mechanism (FPPAM)

Mr. Bonsall stated that the initial proposal also included management's recommendation to establish a new price plan for distributed generation customers, which would impact SRP's roof-top solar customers. He reviewed the design and key elements of the proposed E-27 Customer Generation Price Plan for Residential Service. He pointed out that, in response to inputs received from the SRP President, Vice President, Board members, and attendees, management suggested that the E-27 proposal be modified from the original 15-

minute on-peak demand measurement period to a 30-minute on-peak demand measurement period, which would not change the proposal but would change how and when the proposal was implemented.

Continuing, Mr. Bonsall reviewed management's suggestion that the proposed increase in monthly service charge for residential customers occur in two steps. In other words, instead of a full \$3.00 increase from the current level of \$17 to \$20 per month, the increase would be phased-in over time; e.g., \$17 to \$18.50 beginning in this summer period, which is May through October; then \$18.50 to the full \$20 when the winter season begins this year. He stated that the financial impact of the proposed change would be a decrease in revenues of \$15.7 million for all customer classes.

Mr. Bonsall discussed additional recommendations that are explained in Management's Revised Proposed Adjustments to SRP's Standard Electric Price Plans and Riders Effective with the April 2015 Billing Cycle dated February 26, 2015, which include, among others, the following:

- a commitment to complete a review of cost-allocation methodologies employed in SRP's embedded-cost study;
- a recommendation to establish a pilot price plan comparable to the E-27 Price Plan for non-distributed generation customers; and
- a commitment to return to the Board in about a year with "EZ-3" design thoughts for distributed generation customers.

Mr. Bonsall stated that the outstanding question was in relation to the grandfathering provisions for existing distributed generation customers. He introduced Aidan McSheffrey, SRP Associate General Manager and Chief Financial Executive, who reviewed management's initial and revised proposals relative to the grandfathering provisions for existing solar customers.

Mr. McSheffrey reviewed the definitions for each of the four different categories of SRP solar customers. He reminded the Board members that management's original proposal (Option A) was to grandfather the Category A customers for the longer of 10 years from April 1, 2015, or 20 years from the date of installation, and 10 years from April 1, 2015, for Categories B, C and D. A revision was to have no limitations on transfers and grandfathering would transfer with the property. He stated that the estimated cost of preserving the cost shift through the Option A grandfathering was a total \$101 million for all categories.

Mr. McSheffrey reviewed the terms of another option previously discussed with the Board. Under Option B, the average grandfathering term for Category A was 16 years. He stated that, if the 16-year option was extended to Categories B, C and D, the cost shift would increase by an additional \$41 million, or a total of \$142 million.

Mr. McSheffrey continued the presentation with a summary of management's responses to various questions and issues raised by members of the Board and interested parties, as contained in management's Memorandum to the Board dated February 25, 2015, entitled "Management's Response."

Copies of the PowerPoint slides and the materials referenced and distributed by management at this meeting are on file in the Corporate Secretary's Office and by, reference, are made a part of these minutes.

The Board asked and management responded to questions about management's modified price proposal.

President Rousseau called on Dr. John Chamberlin of Sussex Economic Advisors (SEA), the Board's consultant who had been retained to evaluate management's proposal and to provide recommendations to the Board.

#### Sussex Economic Advisors

Using a PowerPoint presentation, Dr. Chamberlin reiterated his support for the proposed 3.9% price increase and changes to the SRP price plans and riders, as recommended by management. He said that the proposed price plans were aligned with the Board's pricing policies; that SRP had demonstrated the need for a 3.9% price increase; that the cost allocation study was calculated accurately and consistent with industry practices; and that management's proposal addressed concerns about the significant unrecovered costs by distributed generation customers which, under current price plans, are shifted to non-distributed generation customers. He concluded with his support of the price increase and the proposed E-27 Price Plan.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

#### Statements by Solar Industry and Other Organizations

President Rousseau announced that the Board would now hear statements from representatives of organizations in the solar industry and certain other groups and organizations. He requested that Corporate Secretary Lonon call upon the individuals who had registered to make a statement. In order of appearance, the following individuals addressed the Board: Court Rich of the Rose Law Group, on behalf of The Alliance for Solar Choice (TASC); Sean Seitz on behalf of Arizona Solar Deployment Alliance; Stan Barnes on behalf of Arizonans for Electric Choice and Competition (AECC); Mike McElrath of Freeport McMoRan; and Thad Kurowski of SolarCity.



Copies of the PowerPoint slides used in these presentations are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

### Statements by Interested Parties

President Rousseau announced that the Board would now hear statements from the audience. He requested that Corporate Secretary Lonon call upon the individuals who had registered to make a statement. In order of appearance, the following individuals addressed the Board: Steven Thompson, George Kinney, John Carlson, Ronald Rich, Bob Emmelkamp, Jeffrey Hausauer, Richard Mason, Roc Arnett representing East Valley Partnership, William Bodzioch, Jeff Spies, Larkey Hodges, Michael Curtis of Arizona Municipal Power Users' Association, Pedro Lopez, Oscar Hernandez of CHISPA, Gary Yaquinto of Arizona Investment Council, Dave Chacon, Michael Lynch, and Randy Miller.

### Executive Session

President Rousseau requested a motion to hold an executive session of the Board of Directors, pursuant to A.R.S. §38-431.03 (A)(3) and (4), to consult with attorneys for legal advice regarding the proposed changes and adjustments and to consider the Board's position and instruct its attorneys regarding the Board's position relative to threatened litigation.

On a motion duly made by Director Woods, seconded by Director White and carried, the District Board convened into executive session at 11:55 a.m. The Board reconvened into open session at 1:20 p.m. with the following members and others present: President Rousseau; Vice President Hoopes; Directors W. Arnett, Ash, Freeman, Hendrickson, M. Herrera, Johnson, Marshall, Pace, Pendergast, P. Rovey, White Jr., L. Williams, S. Williams, and Woods; Governor L. Rovey of the Salt River Valley Water Users' Association; Council Chairman Dobson; Council Vice Chairman Farmer; Council Members Augustine, Hart, Kolb, and Lewis; Mmes. K. Collins, L. Day, France, Greene, Glover, Heth, Hobaica, Likens, Lonon, Marzofka, McHenry, Pond, S. Reed, Reilly, Singleton, Trimble, and Zittle; Messrs. Bonsall, Breiland, Coggins, Copeland, Dreiling, Duckworth, D. Duncan, Harelson, P. Hayes, Hulet, W.G. Hull, Hummel, Kenger, Koch, K. Lee, M. Lowe, McSheffrey, M.J. O'Connor, A. Peterson, L. Poteet, R. Rodgers, M. Stephens, J.F. Sullivan, R.R. Taylor, J.C. Tucker, and Weidner; Kenneth Sundlof of Jennings, Strouss & Salmon; Dr. John Chamberlin of Sussex Economic Advisors; Dr. Ahmad Faruqui of The Grattle Group; Ashley Brown of the Harvard Electricity Policy Group; Ryan Randazzo of *The Arizona Republic*; and approximately 200 SRP electric customers and other interested parties.

Additional Statements by Interested Parties

President Rousseau announced that the Board would now hear statements from members of the audience who had not spoken during the morning session. He requested that Corporate Secretary Lonon call upon the individuals who had registered to make a statement. In order of appearance, the following individuals addressed the Board: Jeanne Devine, Jacob Everts, Joseph Hui, Hal Stahl, Dwayne Ketchens, Jim Pitre, Anna Rose Almeida, Marty Schultz, Dianne Woods, Logan Newby, Jason Armstrong, Billie Hunt, Jeffrey Seeley, Mark Holohan, Nancy Tichenor, Laurel Hardin, Bill Kregle, John Conover, Keith Rowley, Lori Gonzales, Melanie Hobden, Jane Alfano Rasor, Reverend Jarrett Maupin, Joanne Markis, Von Packard, Diane Brown, and Thayer Verschoor.

Management Advisors and Consultants

Mr. McSheffrey introduced Ashley Brown of the Harvard Electricity Policy Group, who had been engaged to analyze SRP's studies and proposals.

Mr. Brown discussed the issues with solar subsidies across the nation and the existing net metering price structure. He stated that adoption of SRP's new pricing plan for solar photovoltaic (PV) distributed generation would solve those problems and result in increased fairness in the distribution of system costs among customers, increased efficiency for the system overall, and remove the cross-subsidies. Additionally, he said that customers with solar PV distributed generation capabilities would receive the right price signals to encourage them to maximize the value that their systems provide to the grid. He encouraged the Board to make a decision in favor of management's proposal.

Mr. McSheffrey introduced Dr. Ahmad Faruqui, a principal with The Brattle Group, who had evaluated the proposed Customer Generation Price Plan.

Using a PowerPoint presentation, Dr. Faruqui provided updates to the benchmarking study that was presented previously to the Board. He discussed the cross-subsidy that exists between customers with solar and customers without solar, and the need for a special rate for distributed generation customers. He stated that, while distributed generation improves energy efficiency, the current mechanism of pricing electricity to distributed generation customers does not allow the utility to recover the fixed cost of serving the distributed generation customers. Therefore, the unrecovered cost has to be recovered from the non-distributed generation customers, which creates an inequity in rate design.

Dr. Faruqui offered his support for management's proposal of a three-part rate for distributed generation customers which includes a fixed charge based on the size of the connected load; a demand charge that is tiered; and a variable charge that is time-varying. He said the proposal was a significant improvement over the

current offering and would eliminate the cross-subsidy from non-distributed generation customers and restore consistency with SRP's rate design principles. In addition, he recommended that SRP implement the new distributed generation rate now. He said that, particularly with a grandfathering approach, delaying the decision would be very costly to the non-distributed generation customers as the number of distributed generation customers continued to rise.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Dr. Chamberlin of SEA, the Board's consultant, responded to questions raised as to whether sufficient information had been made available for the Board to make a decision on management's proposals, including the new E-27 Price Plan. He opined that it had been, and that the impacts and perspectives of delaying the decision had been well identified. He concluded with his support for the proposed changes to the price plans and riders, as recommended by management.

The Board members asked and the consultants responded to questions about management's proposals.

#### Management Response

Messrs. McSheffrey and Bonsall responded to statements made by the preceding customers and questions from the Board.

Mr. Bonsall concluded the presentation by requesting Board approval of Management's Modified Price Proposal which, if approved, would go into effect with the April 2015 billing cycle. He stated that two separate resolutions had been prepared for Board consideration, as distributed to the members. The first resolution would address the 3.9% overall average price increase and all other items, except the grandfathering provision for SRP's existing residential solar customers. The second resolution would address the grandfathering portion of the proposal.

#### Board Decisions

President Rousseau called for a motion for the Board of Directors to adopt the draft resolution which would approve management's proposed changes to the Standard Electric Rate Schedules and terms and conditions of competition, including Management's Modified Price Proposal, effective with the April 2015 billing cycle, but with the exclusion of the grandfathering provision for certain residential customers from application of the E-27 Price Plan, as recommended in the Modified Price Proposal, which would be considered separately.



Following discussion, on a motion duly made by Director Hendrickson, seconded by Director Herrera and carried, the Board adopted the following resolution:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SALT RIVER  
PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT  
REGARDING CHANGES TO STANDARD ELECTRIC RATE SCHEDULES  
AND TERMS AND CONDITIONS OF COMPETITION EFFECTIVE WITH THE  
APRIL 2015 BILLING CYCLE**

**WHEREAS**, Management of the Salt River Project Agricultural Improvement and Power District (the “District” or “SRP”) has proposed the following (collectively, the “Price Proposal”): (i) changes to the District’s standard electric rate schedules, including riders (collectively, the “Price Plans”); and (ii) modifications to certain of its terms and conditions for competition in the retail sale of electric service (collectively, the “Terms and Conditions for Competition”); and

**WHEREAS**, A.R.S. §§ 30-801, *et seq.*, and 48-2334 mandate procedures for participation by customers and other interested parties in the adoption of changes in the Price Plans and Terms and Conditions for Competition; and

**WHEREAS**, at the direction of the President of the District, the public notice process was initiated on December 12, 2014, by publication of notice in two newspapers of general circulation within the District’s electric service territory on that date; and by mailings to standard electric price plan customers and the governing bodies of the cities, towns and counties within the District’s distribution services area (collectively, the “Public Notice”); and

**WHEREAS**, Management additionally used a variety of other means to notify customers of the public process to consider the Price Proposal including, without limitation, direct contact, the District’s website (including [srpprices.com](http://srpprices.com), a special website created for purposes of the price process (the “Special Website”)), direct mail, issues of *Contact*, *Contacto* and *Business Contact*, and personal meetings; Management also mailed to all customers, by letter dated November 29, 2014, an advance notice advising that a formal price process was about to begin and alerting them to the Special Website that would be available for further information, and also advising rooftop solar customers that management’s proposal would include a new price plan for residential customers who self-produce a portion of their energy using rooftop solar panels or other technologies, subject to a ten-year grandfathering provision; and

**WHEREAS**, an Information Center, located at SRP’s main office at 1521 North Project Drive, Tempe, Arizona, was opened on December 12, 2014 and will remain open until April 30, 2015, weekdays, and contains a complete record of the current proceedings including, without limitation, the following: Management’s Proposed Adjustments to SRP’s Standard Electric Price Plans

Effective with the April 2015 Billing Cycle (including Appendices), dated December 12, 2014 (the "Bluebook"); the Unbundled Revenue Analysis in Support of Proposed Adjustments to SRP's Standard Electric Price Plans Effective with the April 2015 Billing Cycle, dated December 12, 2014; the Derivation of Proposed Changes to SRP's Transmission and Ancillary Services Prices Effective April 1, 2015, dated December 12, 2014; the Board consultant's report; Management's experts' and consultants' reports; the comments of customers and other interested parties; transcripts of the public comment sessions on January 5 and January 8, 2015; a transcript of the special Board meeting held on February 9 and 12, 2015 (the "Special Board Meeting"); and a transcript of the additional special Board meeting held on February 19, 2015; and

**WHEREAS**, references to Price Proposal were included in, among other places, (i) the Public Notice, (ii) the January 2015 editions of *Contact*, *Contacto* and *Business Contact* distributed to the District's electric customers, (iii) the news release distributed December 5, 2014, which was subsequently reported in an article in *The Arizona Republic*, (iv) the Bluebook, and (v) the District's website; and

**WHEREAS**, Management held two public comment sessions at separate locations on January 5 and 8, 2015, respectively. In addition, various customers and interested parties interviewed the Board consultant and specific representatives of the District, either on the scheduled date for interviews noted in the Public Notice (January 15, 2015) or on another date at such persons' request; and

**WHEREAS**, the District has received written comments on the Price Proposal, copies of which were provided to the Board and placed in the Information Center; and

**WHEREAS**, at the Special Board Meeting, Management presented its proposed changes as set forth in its Price Proposal; and

**WHEREAS**, at the Special Board Meeting, Dr. John Chamberlin of Sussex Economic Advisors, consultant to the Board, presented and explained his report entitled "Review of Proposed Adjustments to Salt River Project's Standard Electric Price Plans," dated December 12, 2014, a written copy of which was included in the Information Center; and

**WHEREAS**, at the Special Board Meeting, the following reports of advisors and consultants of the District, written copies of which were included in the Information Center, were presented and explained: (i) "An Evaluation of SRP's Electric Rate Proposal for Residential Customers with Distributed Generation," dated January 5, 2015, prepared by Dr. Ahmad Faruqui and Ryan Hledik of The Brattle Group and presented by Dr. Faruqui; (ii) "Review of Salt River Project's Proposed Residential Customer Generation Price Plan," dated

December 31, 2014, prepared and presented by Amparo Nieto of NERA Economic Consulting; (iii) "Financial Market and Capital Structure Considerations in Public Power Pricing Decisions," dated December 12, 2014, prepared and presented by Michael Mace of The PFM Group; and (iv) the "Matching Prices and Value for Distributed Solar PV: SRP's Proposal," prepared and presented by Ashley Brown; and

**WHEREAS**, at the Special Board Meeting, the Board offered all customers and other interested parties the opportunity to comment on the Price Proposal; and

**WHEREAS**, the District accepted written comments on the Price Proposal through February 23, 2015; and

**WHEREAS**, Management, by its Memorandum to the Board dated February 25, 2015, concerning "Management's Response," a copy of which was added to the Information Center on that date, responded to various questions and issues raised by members of the Board and interested parties; and

**WHEREAS**, Management, in its Memorandum to the Board dated February 25, 2015, concerning "Summary of Management Recommendations," a copy of which was added to the Information Center on that date (the "Management Recommendation Memorandum"), provided various recommendations, options, clarifications and commitments, including:

- (i) a recommended amendment to the grandfathering proposal for existing solar customers;
- (ii) a clarification that the on-peak demand charge for the large general service price plans and the applicable Standby Service Rider will be determined based on the 30-minute integrated kilowatt (kW), as measured by the meter, occurring during each on-peak period;
- (iii) two options regarding the E-27 Price Plan, Option A with the originally proposed 15-minute billing demand period, and Option B using a 30-minute billing demand period, with corresponding price changes (the "30-Minute E-27 Option");
- (iv) a recommendation to establish a pilot price plan comparable to the E-27 Price Plan, for non-distributed generation customers;
- (v) a commitment to return to the Board in about a year with "EZ-3" design thoughts for distributed generation customers; and
- (vi) a commitment to complete a review of cost-allocation methodologies employed in SRP's embedded-cost study;

all as further set forth in the Management Recommendation Memorandum; and

**WHEREAS**, management at this meeting distributed and explained Management's Revised Proposed Adjustments to SRP's Standard Electric Price

Plans and Riders Effective with the April 2015 Billing Cycle, dated February 26, 2015, in which it recommended further modifications to the Bluebook proposals including, among others, proposals regarding the residential monthly service charge, general service, pumping and large general service demand charges, and other related changes, and summarized all recommended changes and requests (the "February 26 Recommendations") (the Bluebook, as modified by the recommendations, clarifications, commitments, and the 30-Minute E-27 Option in the Management Recommendation Memorandum, and as further modified by the February 26 Recommendations, is hereinafter referred to as the "Modified Price Proposal"); and

**WHEREAS**, the Board has considered the record in full, including the Modified Price Proposal and all timely submitted customer comments.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

**Section 1. Recitation of Authority.** Pursuant to A.R.S. §§ 30-801, *et seq.*, and 48-2334, and based upon review and careful consideration of the record compiled in these proceedings, the Board adopts this resolution to approve: (i) changes to the Price Plans; and (ii) modifications to certain of its Terms and Conditions for Competition.

**Section 2. Proceedings.** The Board finds that the proceedings conducted by the District were legislative in nature. The legislature, by means of A.R.S. §§ 30-802(B) and 48-2334, prescribed the processes to be followed. The District's implementation of these proceedings met or exceeded the requirements of those statutes for public notice, public access to information, the acceptance of written comments, and the opportunity for oral presentations of views, comments and questions. Accordingly, the Board finds the proceedings satisfied legislative and constitutional due process requirements.

**Section 3. Specific Determinations.** Having duly considered Management's Modified Price Proposal, the District's Revenue Requirements Budget (Functional Budget) for fiscal year 2015-2016, the consultants' reports and recommendations, the oral and written comments of customers and other interested parties, and the pricing proceeding in its entirety, the Board determines as follows:

**A. Approval of Management's Modified Price Proposal to become Effective with the April 2015 Billing Cycle, except as otherwise noted.**

1. Management's Modified Price Proposal is warranted, will not adversely affect the financial integrity of the District, and is consistent with the Board's pricing principles adopted on December 4, 2000; provided, however, that

the concept of grandfathering of certain residential customers from application of the E-27 Price Plan is not included as a part of this Resolution and will be considered by the Board separately (the Modified Price Proposal, without the grandfathering provision, is referred to herein as the "Final Proposal").

2. A portion of electric system revenues should continue to be applied to reduce the costs of developing, storing, transporting and delivering water for the benefit of all water users within the Salt River Reservoir District, including the portions of cities and towns located therein.

3. The revenue and income (including investment income) from operation of the electric system will be sufficient to provide all payments and meet all other requirements as specified in Article VII, Paragraph 7.11 of the Amended and Restated Resolution concerning revenue bonds dated September 10, 2001.

4. The Board approves the Final Proposal to go into effect with the April 2015 billing cycle, which for most customers begins in March, with the grandfathering proposal to be addressed by separate resolution.

**B. Names for Marketing Purposes.** The Board authorizes Management to assign descriptive names to all price plans and riders for marketing purposes.

**Section 4. Implementation.** The Board authorizes and directs Management to do all things necessary to implement this Resolution including, without limitation, (i) establishing, amending and supplementing the District's Rules and Regulations and protocols, (ii) developing and executing contracts where necessary or desirable, (iii) amending and supplementing the Price Plans and Terms and Conditions of Competition, and (iv) revising the budgeted revenues in the Fiscal Year 2016 Budget to reflect the impact of the Final Proposal, all in a manner consistent with the intent and purpose of this Resolution.

**Section 5. Record.** The Board hereby incorporates, by reference, the record in these proceedings in its entirety including, without limitation, all of the material in the Information Center, Management's proposals and the minutes of the Board meetings.

**Section 6. Effective Date.** This Resolution shall take effect immediately. To the extent there is a conflict between this Resolution and any prior resolution of the Board, this Resolution controls.

Directors S. Williams and Woods voted "no". (Director Ash initially voted "no" but changed his vote to "yes.")



President Rousseau called on Mr. Bonsall, who reviewed the grandfathering portion of management's proposal.

Mr. Bonsall reminded the members that management's recommendation included a grandfathering provision for SRP's existing solar customers in Category A for the longer of 10 years from April 1, 2015, or 20 years from the date of system installation, and 10 years from April 1, 2015, for the existing solar customers in Categories B, C and D, with no limitation on transfers and the grandfathering provision would transfer with the property.

At Mr. Bonsall's request, Mr. McSheffrey reviewed the costs associated with management's grandfathering proposal, which amounted to \$101 million. He continued by reviewing a second option for Board consideration, which included an extension of the grandfathering provision for residential customers in Categories B, C and D to 16 years. He said that the cost shift associated with this option would add an additional \$41 million to the proposal, for a total of \$142 million.

Discussion was held concerning a third option for Board consideration, which extended the grandfathering provision for all existing residential solar customers in Categories A, B, C and D to a minimum of 10 years, or 20 years from the date of their system installation, at a total cost to SRP of about \$163 million.

On a motion duly made by Director Ash, seconded by Director Woods and carried, the Board adopted an amended resolution, which included extension of the grandfathering provision for all existing residential solar customers in Categories A, B, C and D to a minimum of 10 years, or 20 years from the date of their system installation, as follows:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SALT RIVER  
PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT  
REGARDING CHANGES TO STANDARD ELECTRIC RATE SCHEDULES  
AND TERMS AND CONDITIONS OF COMPETITION EFFECTIVE WITH THE  
APRIL 2015 BILLING CYCLE**

**WHEREAS**, Management of the Salt River Project Agricultural Improvement and Power District (the "District" or "SRP") has proposed the following (collectively, the "Price Proposal"): (i) changes to the District's standard electric rate schedules, including riders (collectively, the "Price Plans"); and (ii) modifications to certain of its terms and conditions for competition in the retail sale of electric service (collectively, the "Terms and Conditions for Competition"); and

**WHEREAS**, A.R.S. §§ 30-801, *et seq.*, and 48-2334 mandate procedures for participation by customers and other interested parties in the adoption of changes in the Price Plans and Terms and Conditions for Competition; and

**WHEREAS**, at the direction of the President of the District, the public notice process was initiated on December 12, 2014, by publication of notice in two newspapers of general circulation within the District's electric service territory on that date; and by mailings to standard electric price plan customers and the governing bodies of the cities, towns and counties within the District's distribution services area (collectively, the "Public Notice"); and

**WHEREAS**, Management additionally used a variety of other means to notify customers of the public process to consider the Price Proposal including, without limitation, direct contact, the District's website (including [srpprices.com](http://srpprices.com), a special website created for purposes of the price process (the "Special Website")), direct mail, issues of *Contact*, *Contacto* and *Business Contact*, and personal meetings; Management also mailed to all customers, by letter dated November 29, 2014, an advance notice advising that a formal price process was about to begin and alerting them to the Special Website that would be available for further information, and also advising rooftop solar customers that management's proposal would include a new price plan for residential customers who self-produce a portion of their energy using rooftop solar panels or other technologies, subject to a ten-year grandfathering provision; and

**WHEREAS**, an Information Center, located at SRP's main office at 1521 North Project Drive, Tempe, Arizona, was opened on December 12, 2014 and will remain open until April 30, 2015, weekdays, and contains a complete record of the current proceedings including, without limitation, the following: Management's Proposed Adjustments to SRP's Standard Electric Price Plans Effective with the April 2015 Billing Cycle (including Appendices), dated December 12, 2014 (the "Bluebook"); the Unbundled Revenue Analysis in Support of Proposed Adjustments to SRP's Standard Electric Price Plans Effective with the April 2015 Billing Cycle, dated December 12, 2014; the Derivation of Proposed Changes to SRP's Transmission and Ancillary Services Prices Effective April 1, 2015, dated December 12, 2014; the Board consultant's report; Management's experts' and consultants' reports; the comments of customers and other interested parties; transcripts of the public comment sessions on January 5 and January 8, 2015; a transcript of the special Board meeting held on February 9 and 12, 2015 (the "Special Board Meeting"); and a transcript of the additional special Board meeting held on February 19, 2015; and

**WHEREAS**, references to Price Proposal were included in, among other places, (i) the Public Notice, (ii) the January 2015 editions of *Contact*, *Contacto* and *Business Contact* distributed to the District's electric customers, (iii) the news release distributed December 5, 2014, which was subsequently reported in an article in *The Arizona Republic*, (iv) the Bluebook, and (v) the District's website; and

**WHEREAS**, Management held two public comment sessions at separate locations on January 5 and 8, 2015, respectively. In addition, various customers and interested parties interviewed the Board consultant and specific representatives of the District, either on the scheduled date for interviews noted in the Public Notice (January 15, 2015) or on another date at such persons' request; and

**WHEREAS**, the District has received written comments on the Price Proposal, copies of which were provided to the Board and placed in the Information Center; and

**WHEREAS**, at the Special Board Meeting, Management presented its proposed changes as set forth in its Price Proposal; and

**WHEREAS**, at the Special Board Meeting, Dr. John Chamberlin of Sussex Economic Advisors, consultant to the Board, presented and explained his report entitled "Review of Proposed Adjustments to Salt River Project's Standard Electric Price Plans," dated December 12, 2014, a written copy of which was included in the Information Center; and

**WHEREAS**, at the Special Board Meeting, the following reports of advisors and consultants of the District, written copies of which were included in the Information Center, were presented and explained: (i) "An Evaluation of SRP's Electric Rate Proposal for Residential Customers with Distributed Generation," dated January 5, 2015, prepared by Dr. Ahmad Faruqui and Ryan Hledik of The Brattle Group and presented by Dr. Faruqui; (ii) "Review of Salt River Project's Proposed Residential Customer Generation Price Plan," dated December 31, 2014, prepared and presented by Amparo Nieto of NERA Economic Consulting; (iii) "Financial Market and Capital Structure Considerations in Public Power Pricing Decisions," dated December 12, 2014, prepared and presented by Michael Mace of The PFM Group; and (iv) the "Matching Prices and Value for Distributed Solar PV: SRP's Proposal," prepared and presented by Ashley Brown; and

**WHEREAS**, at the Special Board Meeting, the Board offered all customers and other interested parties the opportunity to comment on the Price Proposal; and

**WHEREAS**, the District accepted written comments on the Price Proposal through February 23, 2015; and

**WHEREAS**, Management, by its Memorandum to the Board dated February 25, 2015, concerning "Management's Response," a copy of which was added to the Information Center on that date, responded to various questions and issues raised by members of the Board and interested parties; and

**WHEREAS**, Management, in its Memorandum to the Board dated February 25, 2015, concerning “Summary of Management Recommendations,” a copy of which was added to the Information Center on that date (the “Management Recommendation Memorandum”), provided various recommendations, options, clarifications and commitments, including:

- (vii) a recommended amendment to the grandfathering proposal for existing solar customers;
- (viii) a clarification that the on-peak demand charge for the large general service price plans and the applicable Standby Service Rider will be determined based on the 30-minute integrated kilowatt (kW), as measured by the meter, occurring during each on-peak period;
- (ix) two options regarding the E-27 Price Plan, Option A with the originally proposed 15-minute billing demand period, and Option B using a 30-minute billing demand period, with corresponding price changes (the “30-Minute E-27 Option”);
- (x) a recommendation to establish a pilot price plan comparable to the E-27 Price Plan, for non-distributed generation customers;
- (xi) a commitment to return to the Board in about a year with “EZ-3” design thoughts for distributed generation customers; and
- (xii) a commitment to complete a review of cost-allocation methodologies employed in SRP’s embedded-cost study;

all as further set forth in the Management Recommendation Memorandum; and

**WHEREAS**, management at this meeting distributed and explained Management’s Revised Proposed Adjustments to SRP’s Standard Electric Price Plans and Riders Effective with the April 2015 Billing Cycle, dated February 26, 2015, in which it recommended further modifications to the Bluebook proposals including, among others, proposals regarding the residential monthly service charge, general service, pumping and large general service demand charges, and other related changes, and summarized all recommended changes and requests (the “February 26 Recommendations”) (the Bluebook, as modified by the recommendations, clarifications, commitments, and the 30-Minute E-27 Option in the Management Recommendation Memorandum, and as further modified by the February 26 Recommendations, is hereinafter referred to as the “Modified Price Proposal”); and

**WHEREAS**, the Board has considered the record in full, including the Modified Price Proposal and all timely submitted customer comments; and

**WHEREAS**, the Board, earlier at this meeting, approved a resolution (the “Initial Resolution”) adopting the “Modified Price Proposal” but with the exclusion of the provision grandfathering certain residential customers from application of the E-27 Price Plan as had been recommended in the Modified Price Proposal (the “Grandfathering Provision”);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

**Section 1. Recitation of Authority.** Pursuant to A.R.S. §§ 30-801, *et seq.*, and 48-2334, and based upon review and careful consideration of the record compiled in these proceedings, the Board adopts this resolution to approve: (i) changes to the Price Plans; and (ii) modifications to certain of its Terms and Conditions for Competition.

**Section 2. Proceedings.** The Board finds that the proceedings conducted by the District were legislative in nature. The legislature, by means of A.R.S. §§ 30-802(B) and 48-2334, prescribed the processes to be followed. The District's implementation of these proceedings met or exceeded the requirements of those statutes for public notice, public access to information, the acceptance of written comments, and the opportunity for oral presentations of views, comments and questions. Accordingly, the Board finds the proceedings satisfied legislative and constitutional due process requirements.

**Section 3. Specific Determinations.** Having duly considered Management's Modified Price Proposal, the Board's Initial Resolution, the District's Revenue Requirements Budget (Functional Budget) for fiscal year 2015-2016, the consultants' reports and recommendations, the oral and written comments of customers and other interested parties, and the pricing proceeding in its entirety, and having determined that the Modified Grandfathering Provision (as defined below) is warranted, will not adversely affect the financial integrity of the District, and is consistent with the Board's pricing principles adopted on December 4, 2000, the Board determines as follows:

**A. Approval of Modified Grandfathering Provision to become Effective with the April 2015 Billing Cycle.**

1. A portion of electric system revenues should continue to be applied to reduce the costs of developing, storing, transporting and delivering water for the benefit of all water users within the Salt River Reservoir District, including the portions of cities and towns located therein.

2. The revenue and income (including investment income) from operation of the electric system will be sufficient to provide all payments and meet all other requirements as specified in Article VII, Paragraph 7.11 of the Amended and Restated Resolution concerning revenue bonds dated September 10, 2001.

3. The Board approves the Grandfathering Provision, modified as follows (the "Modified Grandfathering Provision"), to go into effect with the April



2015 billing cycle, which for most customers begins in March: the Grandfathering Provision will be modified to (a) add a condition with respect to those customers whose applications were pending with SRP or who had delivered to SRP a fully-executed contract for the installation of the system by December 8, 2014, that if the system is not interconnected by February 26, 2016, the customer will no longer be eligible for the exemption from the E-27 Price Plan, and (b) extend the grandfathering period to the later of March 31, 2025 or the date that is 20 years after the date of interconnection of the system on which the exemption is based, for all residential customers with on-site generation who qualify for the exemption from the E-27 Price Plan, regardless whether the system is owned or leased and whether or not the customer entered into a REC purchase agreement with SRP. The grandfathering will run with the property, as contemplated in the Management Recommendation Memorandum. As a point of clarification, customers eligible for exemption from the E-27 Price Plan may choose any residential price plan for which they are otherwise eligible, as offered from time-to-time by SRP.

**B. Names for Marketing Purposes.** The Board authorizes Management to assign descriptive names to all price plans and riders for marketing purposes.

**Section 4. Implementation.** The Board authorizes and directs Management to do all things necessary to implement this Resolution including, without limitation, (i) establishing, amending and supplementing the District's Rules and Regulations and protocols, (ii) developing and executing contracts where necessary or desirable, (iii) amending and supplementing the Price Plans and Terms and Conditions of Competition, and (iv) revising the budgeted revenues in the Fiscal Year 2016 Budget to reflect the impact of the Modified Grandfathering Provision, all in a manner consistent with the intent and purpose of this Resolution.

**Section 5. Record.** The Board hereby incorporates, by reference, the record in these proceedings in its entirety including, without limitation, all of the material in the Information Center, Management's proposals and the minutes of the Board meetings.

**Section 6. Effective Date.** This Resolution shall take effect immediately. To the extent there is a conflict between this Resolution and any prior resolution of the Board, this Resolution controls.

Copies of the draft resolutions and PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, are made a part of these minutes.

Directors Marshall and Paul Rovey voted "no."

Closing Remarks

President Rousseau thanked the Board, management, the consultants, and the public for their attendance.

There being no further business to come before the Board, the meeting adjourned at 4:20 p.m.

Terrill A. Lonon  
Corporate Secretary